



The Pension and Benefits Board

To: Congregational Treasurers, Payroll Administrators
Date: November 2018
Re: 2018 T4 - Pension Adjustments

Please use this memo to calculate the Pension Adjustment (PA) for members of the Presbyterian Church in Canada Pension Plan. The PA is based on contributions remitted and the member's qualifying income, up to the maximum qualifying income (MQI). For 2018, the maximum qualifying income is \$71,940.

Please ensure all member contributions are remitted by December 31, 2018.

You will need to include the following entries on the 2018 T4 slip:

Box 50 – Pension Plan Registration No. **0368902**

Box 52 – Pension Adjustment – use the formula below

Box 20 – RPP member pension contributions

Pension Adjustment (PA) is calculated:

- Rounded to the nearest dollar
- If the calculation results in a negative amount, the PA for the year is zero.

Pension Adjustment Formula

9 multiplied by (qualifying income multiplied by 0.015) less \$600

$$9 \times (\text{____} \text{ QI } \text{____} \times 0.015) - \$600 = \text{Pension Adjustment}$$

Reminder: The 2% career average formula ended for all members December 31, 2015; all members now use the same Pension Adjustment formula

If you require assistance with the PA calculation, please contact the Pension and Benefits office.

Phone: 1-800-619-7301
416-441-1111 extension 229 or 287

Website: www.presbyterian.ca/pensionsandbenefits

Email: pension@presbyterian.ca

Calculation Examples

Full-time employment

The maximum qualifying income for 2018 is \$71,940. If a member's qualifying income calculation equals more than \$71,940 then the maximum should be used.

- A full-time member earning the maximum qualifying income:
 $PA = 9 * (\$71,940 * 0.015) - \$600 = \mathbf{\$9,112}$
- A full-time member earning less than the maximum qualifying income:
 $PA = 9 * (\$45,000 * 0.015) - \$600 = \mathbf{\$5,475}$

Part-time employment

For members who work part-time, it is important to check that a member's earnings does not exceed the maximum qualifying income *based on the percentage of time worked*.

- For example, if the member works 60% time, the qualifying income should not exceed \$43,164.
- This is determined by multiplying the maximum by the percentage of time worked: $\$71,940 * 0.6 = \$43,164$.
- A part time member working 60% time earning the maximum qualifying income (pro-rated as per above):
 $PA = 9 * (\$43,164 * 0.015) - \$600 = \mathbf{\$5,227}$

Partial year employment

For members who work only for part of the year (i.e. a member who joined, left or terminated during the year), it is important to check that the earnings do not exceed the maximum qualifying income *based on the number of months worked*.

- For example, if a member works for 3 months of the year, earning a total of \$25,000 it would need to be checked that the total earnings (\$25,000) do not exceed the prorated maximum qualifying income for 3 months of employment.
- To check this, the monthly prorated maximum qualifying income is determined by dividing the maximum qualifying income by twelve and then multiplying by the number of months worked.
- The prorated maximum qualifying income for 3 months would be $\$71,940 / 12 * 3 = \$17,985$
- In this example the amount earned (\$25,000) exceeds the prorated maximum qualifying income (\$17,985), therefore the prorated maximum qualifying income should be used to calculate the pension adjustment.
- $PA = 9 * (\$17,985 * 0.015) - \$600 = \mathbf{\$1,828}$

More than one employer in the same year

For members who move from one employer to another during the course of the year, the \$600 offset must be prorated and used in each employer's calculation based on the percentage of the year the employee was in their service.

- For example, if a member was in the plan for the full year but left one congregation 4 months into the year, with earnings of \$23,980 and immediately joined another congregation for the remainder of the year, with earnings for this period of \$47,960 each treasurer will report separately, and the \$600 offset would be prorated.
 - For 1st period of service: $PA = 9 * (\$23,980 * 0.015) - (600 * 4/12) = \mathbf{\$3,037}$
 - For 2nd period of service: $PA = 9 * (\$47,960 * 0.015) - (600 * 8/12) = \mathbf{\$6,075}$
- Total 2018 PA = \$9,112**